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ABSTRACT

The intent of this experimental program is to test the impact of an assistance system on issues such as work incentive, cost of benefits, administrative costs, and other corollary issues. The structure is to provide assistance that increases as earned income declines, and decreases as earned income increases. Unlike the President's Welfare Reform Program, this experiment does not include a work requirement or day care services. This program is concerned with the urban, working poor, and the sample was obtained from poor families in certain parts of New Jersey and Pennsylvania. Families were randomly assigned to an experimental group or a control group. Findings indicated no significant decline in weekly family earnings as a result of the income assistance program, however, a significant decline was found in the earnings of wives. The results from this experiment may suggest reasons for supporting the Welfare Reform Program. (Author/GEB)

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Further Preliminary Results of the NEW JERSEY GRADUATED WORK INCENTIVE EXPERIMENT

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Office of
Economic
Opportunity

Further Preliminary Results:

THE NEW JERSEY GRADUATED WORK INCENTIVE EXPERIMENT

Conducted by

The Office of Economic Opportunity

May 1971

NOTE

The experiment discussed in this pamphlet is a continuing one: Final results will not be available until June of 1973. Because of the current Congressional discussion of Welfare Reform, it was felt that preliminary data should be publicly disseminated, although the data are not fully analyzed.

The Office of Economic Opportunity discussed earlier preliminary findings in a February, 1970, pamphlet. Those findings were adjusted and extended in a June, 1970, discussion paper published by the Institute for Research on Poverty at the University of Wisconsin. This current analysis will be followed by further reports as future data merit.

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INTRODUCTION

It is abundantly clear that the present welfare system is failing to meet national goals:

-- Welfare recipients frequently receive more income from their welfare benefits than nonwelfare families who are working full time.

-- Benefit levels vary greatly from state to state.

-- In 26 states, male-headed families generally are ineligible for benefits, even if their total family income remains far below the welfare program's income eligibility criteria.

-- The rates by which welfare benefits are reduced as earned income increases are frequently so high that a family is discouraged from attempts to supplement welfare benefits by working.

In an attempt to rectify these inequities and inconsistencies, President Nixon in August, 1969, introduced a bold new plan for Welfare Reform. Designed to provide income assistance to all poor families with children, the Welfare Reform Program would move toward equalization of benefits among states; ensure that work effort is encouraged, not discouraged; and, for the first time, provide assistance to the working poor.

Policymakers have been concerned, however, that any such assistance program would encourage families to rely on the income assistance

and withdraw from the labor force. If, it has been argued, benefits are increased as a family's own work effort decreases (and conversely, decreased as work effort increases), we could expect to see a substantial reduction in that family's incentive to work and a dramatic escalation in the cost of providing benefits.

Thus, results from an Office of Economic Opportunity experiment launched in 1968 are of particular interest to researchers and policy-makers as they consider Welfare Reform. The experiment is testing the impacts of an assistance system, in many ways similar to the President's program, on a broad variety of issues: work incentive, cost of benefits, administrative costs, and a number of corollary issues such as the impact on health, borrowing and spending behavior, family stability, general attitudes toward work, children's school performance and social behavior, and leisure time activities. The central objective of the experiment, however, is to determine the relationship of labor supply to the level of benefits and the tax rate on earned income.

Like Welfare Reform, the experiment, which is being conducted by the Institute for Research on Poverty and MATHEMATICA, Inc., a Princeton, New Jersey, research firm is structured to provide assistance that increases as earned income declines and decreases as earned income increases. But unlike the President's Welfare Reform Program, this experiment does not include a work requirement. Nor does it provide the extensive day care services that are an integral part of the President's program.

The addition of these two provisions as proposed in the Welfare Reform Program would be expected to have a positive effect on work incentive. Moreover, many of those in the experiment can receive higher benefits from it than the proposed Welfare Reform Program would provide. Therefore, the proposed Welfare Reform would minimize any possible reduction of work effort that might be observed in the experiment.

The experiment was not designed to include a representative sample of the entire low-income population, but rather a portion of it that is of particular interest to those concerned with Welfare Reform: the urban, working poor. An experiment launched a year and a half after this experiment began is concerned exclusively with the rural poor (and is described in Appendix II). The urban experiment is limited to a random sample of poor and near-poor families in Trenton, Paterson, Passaic, and Jersey City, New Jersey, and Scranton, Pennsylvania, with:

-- At least one man (usually the family head) between the ages of 18 and 58 who is neither disabled nor in school.

-- At least one other person in addition to the family head; i.e., a child, a wife, or an aged relative.

-- Income in the year before the experiment started not in excess of 150 percent of the poverty line. (At the start of the experiment, this poverty line was $3,300 for a family of four.)

This group is highly significant for policymakers, since the urban, working poor represent about 45 percent of the families who

would be eligible for the Welfare Reform Program. Furthermore, it is among this group that any work disincentive precipitated by an income assistance program would be most likely to be observed.

After screening and pre-enrollment interviews to determine eligibility, families in the experiment were randomly assigned to a control group or to an experimental group. Those in the experimental group were further randomly assigned to one of eight "treatments," which differ as to the guarantee level (level of benefits when income is zero), tax rate (rate at which benefits are reduced as other income increases), and, hence, breakeven point (level of earnings at which benefits stop).

The guarantee is 50, 75, 100, or 125 percent of the poverty level, which is annually adjusted as the Consumer Price Index changes. The automatic cost-of-living adjustment increased the level for a family of four from the $3,300 level at the start of the experiment to $3,482 and subsequently to the current level of $3,686. As other income increases, it is "taxed" at the rate of 30, 50, or 70 percent. The eight combinations of benefit levels and tax rates are as shown below:

Tax Rates	Guarantee Levels			
	50%	75%	100%	125%
30%	A	C		
50%	B	D	F	H
70%		E	G	

Thus, for example, for a family in Treatment A, benefits are computed by taking the difference between the actual guarantee (50 percent of $3,686, or $1,843) and 30 percent of the family's earned income. If the family has four members and an earned income of $2,000, then the benefit is the difference between $1,843 and $600 (30 percent of $2,000), or $1,243. Benefits for four-person families in each of the treatments with various earned incomes are shown below:

Treatment	$0	$2,000	$3,000	$4,000
A	$1,843	$1,243	$ 943	$ 643
B	1,843	843	343	0
C	2,765	2,165	1,865	1,565
D	2,765	1,765	1,265	765
E	2,765	1,365	665	0
F	3,686	2,686	2,186	1,686
G	3,686	2,286	1,586	886
H	4,606	3,606	3,108	2,608

It is not now possible to predict differential changes in work effort among families in the various treatments because data are available from less than half the total time span of the experiment. It is possible, however, to examine the aggregate impact of an income assistance program and to predict some trends in that impact with regard to recipients' labor market behavior. This analysis, although not as useful as later analyses will be, is unquestionably relevant to current considerations of Welfare Reform.

SIZE AND NATURE OF THE EXPERIMENT SAMPLE

A total of 1,213* families were selected for the experiment, with 724 being assigned to the experimental treatments and 489 to the control group. Payments began in Trenton in August, 1968, for a relatively small sample. In many ways, Trenton has served as a pilot for the other cities, with administrative procedures being tested there before being applied to the other four cities. Payments began in Paterson and Passaic in January, 1969, in Jersey City in June, 1969, and in Scranton in September, 1969. Because data collection and processing lags about four months behind the payments, the analysis presented here is based on the first 18 months' experience in Trenton, Paterson and Passaic and the first 12 months' experience in Jersey City and Scranton.

Although no attempt (other than the use of random selection and assignment processes for both groups) was made to match the experimentals with the controls as to ethnicity, pre-enrollment income, family size, or other characteristics, detailed analysis has shown that differences between the two groups at the start and at present are statistically significant only with regard to ethnicity. A part of this disparity will be corrected as a result of the enrollment of 141 new control families in Trenton, Paterson and Passaic. These new controls, who bring the total number of control families to 632, are not included in this analysis, however, because of the shortness of their time in the program.

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* Not counting new controls added later, as discussed below.

A detailed breakdown of the ethnicity, pre-enrollment income, and size of the families in both the experimental and control groups is included in the tables in Appendix I; their assignment by city at the start of the experiment and the number still in the experiment at the end of the first 12 and 18 months follows:

	Experimentals			Controls		
City	Start	12 Months	18 Months	Start	12 Months	18 Months
Trenton	86	80	72	37	29	28
Paterson-Passaic	276	236	226	106	83	82
Jersey City	198	189	NA	192	171	NA
Scranton	164	163	NA	154	148	NA

As indicated above, 64 families in the experimental group and 33 in the control group dropped out during the first 18 months in Trenton, Paterson and Passaic. At the end of 12 months, a total of 56 experimental group families and 58 control families had dropped out of the whole experiment. This attrition rate does not appear to be unacceptably high, however. Based on previous experience with panel studies the sample design had anticipated a 10 percent attrition for those in the experimental treatments receiving high benefits. Higher loss rates were anticipated for controls and families receiving small benefits or no benefits because they are at or above their breakeven points. (The final design was based on a 20 percent loss rate for families who went over their breakeven points. Because early experience in Trenton and Paterson-Passaic indicated that attrition might

ultimately exceed these allowances, payments made to families for reporting income were increased in order to make keeping contact with field workers more attractive.)

It is, of course, impossible to specify how much attrition is acceptable without knowing how the attrition ultimately will be distributed. If attrition is concentrated in a few experimental cells or among one or two types of families, as does <u>not</u> appear to be indicated, a 15 to 20 percent attrition rate would be quite serious. Randomly distributed attrition as high as 40 or 50 percent, on the other hand, would not seriously jeopardize data interpretation. Attrition does affect the precision of any analysis. For example, the statistical precision of the estimate would increase 12 percent if one-sixth of the sample drops out instead of one-third.

The experiment differs significantly from the Welfare Reform Program in that it coexists with the welfare system that the program seeks to replace. This does raise problems that will not exist if Welfare Reform is enacted. When the experiment began, New Jersey did not have AFDC-UP (Aid to Families with Dependent Children-Unemployed Parent), although it did have an AFDC program for female-headed families. At the start of the experiment in Trenton, those in the experimental group were allowed to receive AFDC benefits and payments from the experiment. They were required to report AFDC payments as well as any other income to the experiment field workers, but their benefits from the experiment were not reduced because of the AFDC payments. At the same time, they

were instructed to report their experiment benefits to the state welfare office, and it was expected that the experiment benefits would be taken into account when the welfare benefits were determined.

In January, 1969, the AFDC-UP program was initiated in New Jersey, where it was extended to both those who were unemployed and those who were under-employed. Thus, all families in the experiment were theoretically eligible to receive AFDC-UP payments, should they become unemployed. This program provided a maximum guarantee of $4,160 per year for a family of four (a level higher than the breakeven point for several types of families in the experiment's lower benefit treatments).

In Paterson and Passaic, where payments were just beginning, and later in Jersey City, when payments began in June, families were told they could not receive both AFDC-UP and experiment benefits, but that they could choose between the two benefits and change from one to another at any time. These same regulations applied to Scranton, where an AFDC-UP program was in effect before the experiment started.

Because of some confusion on the part of families reporting benefits, the rule permitting Trenton families to receive experiment and AFDC-UP payments simultaneously was revised in January, 1970. Families in this city must now also choose between the two programs.

BACKGROUND OF THIS REPORT

When the House Ways and Means Committee was in the final stages of considering Welfare Reform in January 1970, it became clear that data from the experiment would be useful in its deliberations. At that point, however, procedures for recording, checking, correcting, and analyzing the data were in only the early stages of development. Thus, information from the first, second, and third quarterly interviews in Paterson and Passaic and the first, second, third, and fourth quarterly interviews with families in Trenton was retrieved by hand from the data files and coded by hand on punch cards. In addition, some earlier tabulations of data from the screening and pre-enrollment questionnaires were used, as were the income reports submitted every four weeks by the experimental families only. Minor errors of punching and coding were encountered, but time constraints prevented tracing them down and correcting them.

Despite these deficiencies, it was clear that the data base was broad enough and the analysis procedures sufficiently careful that preliminary trends could be predicted. A report suggesting those trends was therefore issued on February 18, 1970. It was also evident, however, that further analysis was needed.

Thus, in June, 1970, Dr. Harold Watts of the Institute for Research on Poverty issued a discussion paper, "Adjusted and Extended Results From the Urban Work Incentive Experiment." This paper was based on an analysis which corrected the coding and punching errors of the February report, and which utilized full-year data from

Paterson, Passaic and Trenton.

The June report confirmed the findings of the February report:

"The main impression left after a review of these crude analyses is that the experimental treatment has induced no dramatic or remarkable responses on the part of the families. The data are weak at this point, and so we can only expect to detect large effects with any confidence. Consequently, the only prudent conclusion at this point is that no convincing evidence has been found of differences between control and experimental families. This is a remarkable finding in itself, since there is a wide-spread belief that such payments will induce substantial withdrawal from work and increases in other forms of dependence.....

"No evidence has been found in the urban experiment to support the belief that negative-tax-type income maintenance programs will produce large disincentives and consequent reductions in earnings."

This present report utilizes a computerized data base, which has permitted a much more sophisticated and refined analysis than either of the earlier reports. Data from Jersey City and Scranton are available for the first time; additional data are available from Trenton, Paterson, and Passaic. As noted, we now have data for a full year or four quarterly interviews, from all five sites. These five cities, for the sake of convenience in this report will be called the full sample. Data from six quarterly interviews, or 18 months, are also available for Trenton, Paterson, and Passaic, which will be called the half sample.

This analysis is based entirely on data from the lengthy, in-person interviews which are conducted once each three months with families in both the experimental and control groups and cover a broad spectrum of issues. The analysis is limited to data on work effort, however, because time constraints prohibit a more compre-

hensive analysis and because impact on work effort is the issue of primary interest to those considering welfare reform.

This analysis is further limited to data from the 1,075 families who have been interviewed continuously during the experiment; i.e., those who have not missed more than one interview and whose missing interview is neither the pre-enrollment interview nor the fourth quarterly interview for the full sample or the sixth quarterly interview for the half sample.

Finally, no attempt has yet been made to consider those receiving AFDC-UP payments as a separate treatment in the experiment. As noted earlier, these families must report their AFDC-UP payments and may not receive both AFDC-UP benefits and benefits from the experiment. The analysis reported here utilizes a sample that includes welfare recipients in both experimental and control groups. It was repeated excluding welfare families in both groups, and no significant differences in results were found.

Ultimately, of course, more sophisticated and refined analyses of the work behavior of welfare families will be made.

CURRENT FINDINGS

The new analysis of data from the urban experiment confirms the findings of the previous two analyses with respect to work effort as indicated by family earnings: There is no evidence indicating a significant decline in weekly family earnings as a result of the income assistance program.

As shown in Table 1, about 31 percent of the families in the experimental group in the full sample showed earnings increases of more than $25 a week during the first year, as compared to about 33 percent of the controls. Also in the full sample, about 25 percent showed earnings declines of more than $25, compared to 23 percent of the controls. About 35 percent of both the experimental and the control families in the half sample showed earnings increases of more than $25 during the first 18 months, while about 29 percent of the experimental group families and 23 percent of the control group families showed declines of more than $25.

Statistical analyses indicate that these differences are too small to be considered statistically significant--that they could easily have occurred by random chance.

Several other comparisons of control and experimental group behavior were made. The one statistically significant difference that was found was a reduction in the earnings of wives in the full sample (12 months' observation in all five cities). But as shown in Table 2, this difference does not exist at the end of the 18 months' observation of the half sample.

TABLE 1

TOTAL FAMILY EARNINGS CHANGES:
COMPARISON OF EXPERIMENTAL AND CONTROL GROUP EXPERIENCE

	Experimentals		Controls	
Full Sample [a]	Number	Percent	Number	Percent
+	202	30.9	139	32.9
=	258	39.5	171	40.5
-	163	25.0	97	23.0
NA	30	4.6	15	3.6
Total	653	100.0	422	100.0
Half Sample [b]				
+	102	34.6	35	35.0
=	90	30.5	35	35.0
-	86	29.2	23	23.0
NA	17	5.8	7	7.0
Total	295	100.0	100	100.0

\+ increase of more than $25 per week.
= change of $25 or less.
\- decrease of more than $25.
NA undetermined because at least one earnings observation is missing.

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a/ All five cities at the end of 12 months.
b/ Trenton, Paterson, and Passaic at end of 18 months.

TABLE 2

WIFE'S EARNINGS CHANGES:
COMPARISON OF EXPERIMENTAL AND CONTROL GROUP EXPERIENCE

	Experimentals		Controls	
Full Sample [a]	Number	Percent	Number	Percent
+	43	7.5	40	10.8
=	480	84.1	317	85.2
-	38	6.7	14	3.8
NA	10	1.8	1	0.3
Total	571	100.0	372	100.0
Half Sample [b]				
+	20	8.4	8	10.3
=	201	84.5	63	80.8
-	14	5.9	6	7.7
NA	3	1.3	4	1.3
Total	238	100.0	78	100.0

\+ increase of $15 or more per week.
= change of less than $15.
\- decrease of $15 or more.
NA undetermined because at least one earnings observation is missing.

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a/ All five cities at the end of 12 months.
b/ Trenton, Paterson, and Passaic at end of 18 months.

Table 3 shows earnings changes for heads of households; again differences between the experimental and control groups were found to be statistically insignificant.

Statistical analysis also showed that the difference in earnings changes were insignificant:

-- Between the control and experimental group families where both the husband and wife are present.

-- Among those families assigned to high* benefit plans, those assigned to low benefit plans, and those in the control group.

In addition, when regression analyses were used to control for the effects of differences in ethnicity and location of the samples, no significant earnings differentials in total family earnings were found between experimental and control subjects.

The development and refinement of the computerized data base permitted measures of work effort in addition to earnings to be considered in this analysis. In particular, measures of hours worked by the family as a whole and by individual members, as well as the number of workers per family, were examined, using regression analysis to control for possible effects of ethnicity, city, age of family head, etc., in a test of whether experimental subjects behaved differently from control subjects as a result of the experimental

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*Because the families, on average, earn very close to the poverty line, the high and low benefit plans have been classified by size of benefits paid to families whose income is at the poverty line. "High" designates those plans that pay 45 percent or more of the poverty level at that income level and "low" designates those that pay 30 percent or less.

TABLE 3

HEAD'S EARNINGS CHANGES:
COMPARISON OF EXPERIMENTAL AND CONTROL GROUP EXPERIENCE

	Experimentals		Controls	
Full Sample [a]	Number	Percent	Number	Percent
+	187	32.1	101	26.5
=	278	47.7	203	53.3
-	106	18.2	73	19.2
NA	12	2.1	4	1.1
Total	583	100.0	381	100.0
Half Sample [b]				
+	97	39.9	22	27.5
=	91	37.5	38	47.5
-	50	20.6	19	23.8
NA	5	2.1	1	1.3
Total	243	100.0	80	100.0

\+ increase of more than $25 per week.
= change of $25 or less.
\- decrease of more than $25.
NA undetermined because at least one earnings observation is missing.

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[a] All five cities at the end of 12 months.
[b] Trenton, Paterson, and Passaic at end of 18 months.

treatment.

In the full sample of husband-wife families, a statistically significant difference in the number of hours worked appears between the control and experimental groups The differential between the hours worked by those in the experimental group and the hours worked by those in the control group is about 12 percent, with the experimental group working about five hours less a week than the control group. This difference, which did not exist at the beginning of the experiment, is largely accounted for by a difference in the average number of workers per family in the experimental group. Like the difference in the number of hours worked, the differential in the number of family workers is statistically significant. Since there are no significant earnings differences between the experimental and control groups, these results imply that the experimental families have significantly increased their average hourly earnings. Indeed, this did occur: For the full sample in the first year, average family hourly earnings increased by 20 percent for experimental subjects compared with 8 percent for the controls.

It is important to note, however, that there was no significant differential in the number of hours worked per family among the various income maintenance plans. Again, these data are too tentative to permit generalizations, but this lack of a significant differential does indicate that the various combinations of tax rates and guarantee levels have not yet affected the number of hours a family works. The differentials in average hours, employment, and

earnings between experimental and control groups are detailed in Table III-1 in Appendix III.

These results are recent. While the differential in work effort (as measured by number of hours worked) was certainly anticipated by everyone associated with the experiment, the differential effects on hourly earnings seems not to have been expected. Hence, substantial analysis must be undertaken to try to clarify the reasons for this effect. The bulk of this analysis has not yet been done; indeed, much of it cannot be done until further data are collected.

Some further indications of <u>how</u> this differential is arising can be gleaned, however, from an examination of the behavior of separate members of the family. This examination suggests that about 40 percent of the differential in family hours is attributable to the heads of families in the experimental group working less than those in the control group. This differential is 6 percent of the average hours worked by the heads of families in the control group at the end of one year in the experiment. There is no evidence that this is associated with a few family heads totally withdrawing from the labor force and living only on the assistance payments. Rather, the effect seems to arise from the small differences in the amount of overtime worked, the length of periods of unemployment, or the time worked on a second job.

The remaining 60 percent of the hours differential is attributable to spouses and other adult workers. Here the effect seems to be related to the rate at which these secondary workers entered the

labor force as the labor market softened over the course of the experiment. In other words, the effect observed appears not to be a reduction in work effort by secondary workers in the experimental group, but rather less of an increase in this effort than appears in the control group.

For all three groups of workers--heads, spouses, and other adults--a differential increase in average hourly earnings of 7 to 8 percent appears to favor the experimental groups.

There are several plausible (and partial) explanations for these observations that can be advanced. With respect to the differential in average hourly earnings, it is quite possible that the effect of the experimental treatment is to raise simultaneously the aspiration levels of the families with respect to wages and their capability to find work at these levels. The availability of a "cushion" in the form of the experiment benefits may allow the prime worker the freedom not to accept the first job he can find, but rather to seek one more appropriate to his skills and interests and one which also pays a higher wage. In the case of spouses and other secondary workers, the same type of behavior may be appearing. Secondary workers enter a slackening labor market generally to make up for decreases in the prime worker's earnings. Income assistance payments may lead to a delay in the entry of such workers, or provide them an opportunity to search for higher paying jobs.

Another explanation is that what we are viewing is the process of adjustment to a new source of income. Economic theory

suggests that when a family experiences an abrupt increase in income, there initially will be a tendency to "invest," rather than consume, a substantial portion of the increase. This investment may take the form of purchase of durable goods, such as appliances or housing, or it may take the form of outlays to increase the family's "human capital," its skills and employment opportunities. If the latter is occurring, we would expect to see increased participation in training programs and/or increased time spent searching for better jobs. (In both cases, the "investment" takes the form primarily of foregone income which could have been earned during the training or search period.) Such behavior might account for part of the reduction in hours observed, as well as the increased hourly earnings on the part of families in the experimental group.

Over time, as families adjust to their new income source, this hypothesis would suggest a diminution in "investment" type behavior. Labor force participation and hours of work would return toward normal, and hourly earnings would stabilize at a new (higher) level. We hope to be able to test this hypothesis as more complete experimental data, covering a longer time span, become available.

The foregoing hypotheses relating to the hours and hourly earnings findings and their applicability to any national income assistance program must remain somewhat speculative on the basis of information now available. It is possible, of course, that some of the differences observed are due to aspects of family behavior that have not as yet been adequately measured or specified in the

preliminary analyses of experimental data undertaken so far. It must be emphasized that what has been done to date is essentially descriptive. More powerful analytical tools can be applied, once all of the data are in, to provide much greater insight into the behavioral mechanisms behind the experiment findings. It should also be recognized that the results of an experimental program may differ somewhat from the results of a similar (or even identical) national program. For example, the results from a job search for an experimental subject may be different from those he could expect if all other job-seekers in his area were part of a national income assistance program. The explication of how, and to what degree, the experimental setting affects the results we will obtain is a matter of high priority on the analytical agenda of this experiment.

IMPLICATIONS FOR WELFARE REFORM

In essence, these new results do not significantly alter the conclusions drawn from the earlier analyses of the experimental data. There is still no indication of a precipitous withdrawal from the labor force by families who receive income maintenance payments. Moreover, as noted earlier, this experiment does not have any work requirement or day care programs. Both of these provisions could be expected to reduce any possible reduction in the hours of the prime wage earner.

It must be remembered that under the Welfare Reform Program, the benefit received by a given family will depend on total earnings of that family. The evidence available thus far indicates that family earnings of the experimental group have not fallen relative to those of the control group. Thus, this evidence continues to suggest that the labor force withdrawal phenomenon will not increase the costs of Welfare Reform.

These results may also suggest an additional reason for supporting the Welfare Reform Program. It appears that an income assistance system may give poor people, particularly the working poor, the ability to seek out better jobs. Their dependence on the vicissitudes of low-wage labor markets will be reduced because when faced with unemployment, they will be better able to search for higher paying, more permanent employment. If this is true, it should be viewed as a significant step forward in our policies for dealing with poverty. But again, we

emphasize, we still do not have an adequate understanding of these results. Seeking that understanding is clearly our next order of business.

APPENDIX I

CHARACTERISTICS OF SAMPLE

TABLE I-1

ETHNICITY OF SAMPLE

	Experimentals		Controls	
Full Sample [a]	Number	Percent	Number	Percent
White	220	32.9%	174	40.4 %
Black	259	38.8	134	31.1
Spanish-speaking	173	25.9	107	24.8
Other	16	2.4	16	3.7
Total	668	100.0	431	100.0
Half Sample [b]				
White	33	11.1	8	7.3
Black	136	45.6	54	49.1
Spanish-speaking	115	38.6	43	39.1
Other	14	4.7	5	4.5
Total	298	100.0	110	100.0

[a] All five cities at the end of 12 months.

[b] Trenton, Paterson, and Passaic at end of 18 months.

TABLE I-2

SIZES OF FAMILIES IN SAMPLE

	Experimentals		Controls	
Full Sample [a]	Number	Percent	Number	Percent
1 - 2	17	2.5%	14	3.2%
3 - 4	152	22.8	116	26.9
5 - 7	345	51.6	223	51.7
8 - 10	129	19.3	65	15.1
11+	35	3.7	13	3.0
Total	668	100.0	431	100.0
Half Sample [b]				
1 - 2	12	4.0	4	3.6
3 - 4	71	23.8	32	29.1
5 - 7	147	49.3	57	51.8
8 - 10	57	19.1	13	11.8
11+	11	3.7	4	3.6
Total	298	100.0	110	100.0

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[a] All five cities at end of 12 months.

[b] Trenton, Paterson and Passaic at end of 18 months.

TABLE I-3

FAMILY EARNINGS WEEK BEFORE ENROLLMENT

	Experimentals		Controls	
Full Sample [a]	Number	Percent	Number	Percent
$0 - 25	76	11.4%	55	12.8%
26 - 50	30	4.5	11	2.6
51 - 75	98	14.7	78	18.1
76 - 100	217	32.5	142	32.9
101 - 125	128	19.2	73	16.9
126 - 150	58	8.7	32	7.4
151+	39	5.8	30	7.0
NA	22	3.3	10	2.3
Total	668	100.0	431	100.0
Half Sample [b]				
$0 - 25	48	16.1	22	20.0
26 - 50	18	6.0	4	3.6
51 - 75	46	15.4	20	18.2
76 - 100	89	29.9	37	33.6
101 - 125	46	15.4	13	11.8
126 - 150	27	9.1	3	2.7
151+	12	4.1	7	6.4
NA	12	4.1	4	3.6
Total	298	100.0	110	100.0

[a] All five cities at end of 12 months.

[b] Trenton, Paterson and Passaic at end of 18 months.

APPENDIX II

RURAL EXPERIMENT

RURAL EXPERIMENT

The rural experiment is being conducted among a dispersed sample of 810 farm and rural nonfarm families in Duplin County, North Carolina, and Pocahantas and Calhoun counties in Iowa. A total of 502 of these families are in North Carolina, and 308 in Iowa. Of the total, 54 percent are in the control group, and are receiving no income assistance payments; i.e., they are used as a basis against which to measure the behavioral responses of the 46 percent who are receiving payments. The total sample of 810 families includes 587 headed by a male between the ages of 18 and 58, 109 headed by a female in the same age range, and 114 headed by either a male or a female over 58.

Overall design and direction of the experiment, as well as all funding, comes from the Office of Economic Opportunity and the Institute for Research on Poverty at the University of Wisconsin. Like the urban experiment, the rural experiment is designed to continue for three years.

The primary objective of the rural experiment is to measure the effects of alternative tax rates, minimum guarantees, and accounting periods upon the work incentive of rural residents, and to compare and contrast these findings with those of the urban experiment. Again as with the urban experiment, a wide range of other objectives is included: determining the effect of payments on children of the poor (their health, school performance, vocational aspirations, etc.); changes in expenditure patterns, effects on credit versus cash buying; involvement in social

business, and political organizations; the effects on family stability (separation and divorce rates); family nutrition and health; and on the rate and nature of rural-to-urban migration.

Families in the rural experiment have been receiving payments for 16 months. No preliminary analyses have yet been performed.

APPENDIX III

ESTIMATES OF DIFFERENTIALS IN EMPLOYMENT, HOURS, AND EARNINGS

TABLE III-1

ADJUSTED MEAN ESTIMATES DERIVED FROM REGRESSION ESTIMATES OF DIFFERENTIALS IN EMPLOYMENT, HOURS, AND EARNINGS

(Husband-Wife Families)

	(1) # employed per family	(2) hours per employee (3)/(1)	(3) # hours per family	(4) earnings per hour (5)/(3)	(5) earnings per family
Family Total:					
Control mean	1.242	34.4	42.73	2.45	104.59
Absolute diff.	- .151**	+ .1	- 5.06**	+ .24	- 3.32
Exper. mean	1.091	34.5	37.67	2.69	101.27
% differential	-12.2%	+ .3%	-11.8%	+9.8%	- 3.2%
Male Head:					
Control mean	.885	37.9	33.55	2.61	87.52
Absolute diff.	- .032	- 1.0	- 2.09	+ .20	+ .75
Exper. mean	.853	36.9	31.46	2.81	88.27
% differential	- 3.6%	- 2.6%	- 6.2%	+7.7%	+ .9%
Female Spouse:					
Control mean	.176	28.6	5.03	1.92	9.66
Absolute diff.	- .044	- .1	- 1.27	+ .14	- 1.93
Exper. mean	.132	28.5	3.76	2.06	7.73
% differential	-25.0%	- .4%	-25.2%	+7.3%	- 20.0%
Other Earner:					
Control mean	.180	23.0	4.14	1.79	7.40
Absolute diff.	- .075**	+ 3.1	- 1.70*	+ .13	- 2.14
Exper. mean	.105	26.1	2.74	1.92	5.26
% differential	-41.7%	+13.5%	-41.1%	+7.3%	- 28.9%

NOTE: The fourth quarterly means cited above have been adjusted, by use of regression analysis, for the differing composition of the control and experimental groups in terms of location, ethnicity, age, family size, and pre-enrollment value of the variable in question. These means, and the associated control-experimental differentials, may therefore be interpreted as applicable to control and experimental groups with identical composition in terms of these variables. Percent differentials are computed using the mean of the control as the base.

*Significant at the .95 level. **Significant at the .99 level.

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